

Present: Jean Godden, Dwight Dively, Robert H. Harvey, Jr., Mark McDermott, Mary Norris, Rod Rich and Lou Walter

Also Present: Mr. Ken Yeager, Retiree; Mr. Bill Kruller, ARSCE; Mike Monaco, Esq. (Song Mondress), Carlton Seu, Esq. (City Attorney's Office), Katrina Kelly, Esq. (City Attorney's Office), Ms. Laurie Tish (Moss Adams); Mr. Kory Hoggan (Moss Adams); Ms. Jacqui Anderson, (DEA-Central Accounting); Cecelia M. Carter (SCERS), Mike K. Akiyama (SCERS), Teresa M. Wells (SCERS)

Dwight Dively, acting as Chair, called the meeting to order at 9:02 a.m.

Public Comment:

there being none

Appointment of Board Member – at – Large:

Information: Nomination of Robert H. Harvey, Jr. to fill the remainder of the three year term vacated by the resignation of Frank Mathews.

Motion: Upon motion by Lou Walter, seconded by Rod Rich, the Board hereby voted, Mr. Harvey abstained, to appoint Robert H. Harvey, Jr. to the Board of Administration of the Seattle City Employees' Retirement System to fill the remainder of the three year term vacated by the resignation of Frank Mathews. The motion passed.

NOTE: this term expires July 1, 2011.

Minutes:

Information: Provided in the Retirement Board packet are the minutes from the December 2, 2009 meeting. (*Attachment #1 – Board Only*)

Motion: Upon motion by Mary Norris, seconded by Rod Rich, the Retirement Board approves the minutes from the December 2, 2009 Retirement Board meeting. The motion passed.

Ms. Godden arrived at 9:08 and assumed the Chair

Provided in the Retirement Board packet are the minutes from the January 6, 2010 Retirement Board meeting. (*Attachment #1 – Board Only*)

Motion: Upon motion by Lou Walter, seconded by Mary Norris, the Retirement Board approves the minutes from the January 6, 2010 Retirement Board meeting. The motion passed.

Ratification of Retired Payroll, Office Payroll, Other Payments and Withdrawals:

Information: The following items represent normal expenses and nothing extraordinary.

Service	\$8,220,041.04
Beneficiary	\$878,524.35
Disability	\$ 86,262.35
Pension Payroll – PPE January 31, 2010	\$ 9,184,827.74
Office Payroll – PPE December 8th & 22nd, 2009	\$66,158.10
Vouchers Processed – December 31, 2009	\$ 993,415.26*
Expert and Consultant Services – \$ 40,363.89*	

Immediate Withdrawals of Contributions for the month of January 2010:

<i>MEMBER</i>	<i>DEPARTMENT NAME</i>	<i>POSITION</i>
Dagget, Matthew	Park	Recreation Attendant
Turnipseed, Cheri N	Muni Court	Administrative Assistant II
Angeletti-Harris, Cheryl	Light	Equal Employment Coordinator
Corn, David A	Light	Hydroelectric Machinist
Lassiter, Linnea R	Library	Library Assoc I
Plummer, Russel W	Seattle Center	Bldg operator Eng II
Roomiany, Hormoz	Light	Strategic Advisor

7 Withdrawals for a total of: \$ 108,844.59

Motion: Upon motion by Dwight Dively, seconded by Rod Rich, the Board ratifies the Retiree Payroll, Office Payroll, other Payments and Withdrawals. The motion passed.

Ratification of Service Retirements:

Information: The following list represents the retirements that have been processed since the last Retirement Board meeting.

<i>Retiree</i>	<i>Retire Date</i>	<i>Years of Service</i>	<i>Days Service</i>	<i>Dept Name</i>	<i>Position</i>	<i>Age</i>
Acedo, Marta	01/01/10	6	241	Human Svcs	Vested - Human Svcs	69
Bungard, Terry W.	01/06/10	23	19	City Light	Hydroelec Op II	64
Ceis, Timothy Y.	01/01/10	7	336	Mayor's Office	Executive 4	54
Clemons, Barbara Lee	01/01/10	15	172	Legislative	Legislative Asst.	69
Connally, Merle A	01/02/10	37	54	City Light	Meter Electrician	65
Deane, Thatcher Elliott	01/02/10	20	96	City Light	Info Technol Prof	56
Douce, Molly A	01/06/10	30	155	Fire	Battalion Chief	54
Drago, Jan	01/01/10	15	353	Legislative	Leg City Council	70
Erickson, Franklin P.	01/06/10	43	270	City Light	Info Technol Prof	71
Handley, Jom M	12/24/09	29	135	SPU	Vested-SPU	52
Jallits, Brenda M (temporary disability)	08/01/09	12	144	SDOT	Senior Civil Eng Spec.	46
Kimball, Dennis H.	01/06/10	36	55	DPD	Construction Plans Engineer Sup.	61
Lee, Victor Kwong	01/06/10	21	127	SPU	Mgmt Svcs Analyst	61
McIver, Richard J	01/01/10	28	344	Legislative	Council Member	69
Nakamura, Susan	01/01/10	7	356	Legislative	Strategic Advisor I	60
Nickels, Gregory J	01/01/10	16	0	Mayor's Office	Mayor	54

Parast, Youssef H.	01/06/10	25	171	DPD	Mech Plans Engr.	64
Pumphrey Jr., Donald H	01/06/10	46	263	SPU	Maintenance Laborer	68
Schneider, David G.	01/01/10	5	255	SDOT	Traffic-Records-Admn	67
Spade, Thomas G.	12/23/09	31	238	City Light	Maint Laborer	67
Trent, David R	12/11/09	8	257	Police	Parking Enf. Officer	63
Watland, Percy G.	01/05/10	41	151	Parks	Maint Laborer	74
Wickstrom, Phyllis Jo	01/06/10	24	118	Police	Administrative Spec I	67

For the month of January: 34 new members entered the System, 23 retired from the System, 0 retirement continuations due to death of retiree, 5 retirement adjustments due to social security payments beginning; 0 benefit pop-ups due to deceased beneficiary; 1 C-option expirations and 37 other terminated City employment.

Motion: Upon motion by Dwight Dively, seconded by Lou Walter, the Retirement Board approves the service retirements listed above, pending final review. The motion passed.

Ratification of Investment Transactions and Statement of Securities and Cash:

Information: Provided in the Retirement Board packet is the Investment Summary report that represents the transaction summary and the market value of the investments as of December 31, 2009. (*Attachment #2*)

Motion: Upon motion by Lou Walter, seconded by Dwight Dively, the Retirement Board accepts the Investment Summary report.

Investment Committee Report:

Information: The Investment Committee is scheduled to next meet at noon on February 25, 2010 in the Retirement Office.

- Report on the Investment Committee meeting held on January 28, 2010

Epsilon Global Value Fund II

Staff recommendation to call for redemption of assets held in the Epsilon Global Value Fund II due to concerns of transparency and other factors.

At this point a discussion ensued amongst the Board regarding the reporting and information received by the System from this Fund. Mr. McDermott stated for the record that he questioned this financial institutions reporting reliability. He further asked staff whether they had any concerns regarding this investment. Ms. Wells expressed that at this time she can only rely upon the statements and documents she received from the Fund manager. Ms. Carter expressed her concern as to whether this Fund manager will honor the redemption request and the reported account value.

Motion: Upon motion by Lou Walter, seconded by Dwight Dively, the Board ratifies the action taken by the Investment Committee at the January 28, 2010 Committee meeting for the Executive Director to immediately cause Notice of Redemption to be filed with Epsilon Global Value Fund II. The motion passed.

U.S. Small-Cap Manager Search

Motion: Upon motion by Lou Walter, seconded by Dwight Dively, the Board ratifies the action taken by the Investment Committee at the January 28, 2010 Committee meeting for staff to institute a search for an active U.S. Small-Cap Manager, as a follow-up to the Board approval of the Domestic Equity Portfolio Option 5 at the December 2009 Board meeting. The motion passed.

Transition Manager Search

Motion: Upon motion by Lou Walter, seconded by Dwight Dively, the Board ratifies the action taken by the Investment Committee at the January 28, 2010 Committee meeting for staff to institute a search for at least two additional Transition Managers for SCERS transition management business. The motion passed.

U.S. Large-Cap Manager Search

Motion: Upon motion by Lou Walter, seconded by Dwight Dively, the Board ratifies the action taken by the Investment Committee at the January 28, 2010 Committee meeting for staff to institute a search an additional passive U.S. Large-Cap Manager, so to avoid having a high concentration of plan assets with a single vendor. The motion passed.

Manager Search & Selection Policy and Due Diligence Binder Checklist

Motion: Upon motion by Lou Walter, seconded by Dwight Dively, the Board ratifies the action taken by the Investment Committee at the January 28, 2010 Committee meeting to approve the proposed Manager Search and Selection Policy and Due Diligence Binder Checklist. The motion passed.

Investment Manager Monitoring Policy & File Checklist

Motion: Upon motion by Lou Walter, seconded by Dwight Dively, the Board ratifies the action taken by the Investment Committee at the January 28, 2010 Committee to approve the Investment Manager Monitoring Policy and File Checklist. The motion passed.

Investment Impairment Policy

Motion: Upon motion by Lou Walter, seconded by Dwight Dively, the Board ratifies the action taken by the Investment Committee at the January 28, 2010 Committee to approve the proposed Investment Impairment Policy. The motion passed.

Impairment of RREEF West VI

Motion: Upon motion by Lou Walter, seconded by Dwight Dively, the Board ratifies the action taken by the Investment Committee at the January 28, 2010 Committee to approve recommendation to permanently impair SCERS's holding in RREEF West VI, in accordance with the stated Impairment Policy. The motion passed.

Sale of Certain Legacy In-House Fixed Income Assets

Staff recommendation to seek bids from brokers on the CDOs and CLOs and other assets held in the Legacy In-House Fixed Income Account. Bid prices have rebounded somewhat.

At this point a discussion ensued amongst the Board regarding the valuation of the assets held in this account. The Board recognizes this account was intended to be used as liquidity / cash account by previous staff. There have been questions as to how some assets were presented and valued to the Board in past years. This account recognized an \$8.5 million dollar reserve in 2008. If assets are recovered, the gain will be realized at that time.

Motion: Upon motion by Lou Walter, seconded by Dwight Dively, the Board ratifies the action taken by the Investment Committee at the January 28, 2010 Committee to approve recommendation sell the CDO and CLO assets held in the legacy In-House Fixed Income account. The motion passed.

Executive Director Report:

- NCPERS will be held May 1 – 6, 2010
 - Early registration deadline is April 12, 2010
 - Advance Travel will coordinate travel arrangements
 - If interested in attending; please advise the Executive Director by the April Board meeting
- NCPERS Legislative Meeting will be held February 7 – 9, 2010 in Washington, DC
 - Ms. Carter is registered to attend
- SCERS / Payroll
 - SCERS is experiencing difficulty coordinating with the Payroll department on the proper issuance of monthly pension payments
 - Insurance premium payments for 2010 were not properly deducted
 - SCERS is manually adjusting the last 100 pensioners entries that need to be corrected again.
- Plan Custodial Services
 - BNY Mellon Custody Agreement expires this coming April 2010
 - BNY Mellon has upgraded SCERS access to their servicing platform = Workbench
 - Servicing fees have been lowered effective January 2010
 - SCERS is working through the Lehman Brothers bankruptcy matter
 - Current liability is approximately \$2.8 million

A discussion ensued amongst the Board and Mr. Walter asked to make sure Staff conducted a site-visit to BNY Mellon now that our service team contact has been moved from New York to Pittsburgh, PA

Motion: Upon motion by Dwight Dively, seconded by Lou Walter, the Board approves the recommendation from the Investment Committee for the Executive Director to extend the service contract with BNY Mellon another two years (through 2012) for the custodial services. The motion passed.

- IAC 2009 Annual Report
 - Ms. Carter noted the filing of the Investment Advisory Committee's 2009 Annual Report.

Motion: Upon motion by Dwight Dively, seconded by Robert Harvey, the Board accepts the 2009 Annual Report as filed dated February 1, 2010. The Executive Director is to file such report with the Director of Finance, the Director of Executive Administration and the City Clerk. The motion passed.

- Public Disclosure Filing(s)
 - Ms. Carter gave an overview to the Board as to why it was necessary to submit the two public disclosure filings by Staff [Mr. Michael K. Akiyama, and Ms. Cecelia M. Carter]

Motion: Upon motion by Dwight Dively, seconded by Mary Norris, the Board accepts the Public Disclosure Filings of (a) Cecelia M. Carter; and (b) Michael K. Akiyama with the Executive Director to also file said Disclosures with the Office of Ethics and Elections. The motion passed.

- Relocation of Office
 - Ms. Carter updated the Board that we are on track to relocate from the 10th floor to the 9th floor.
 - Representatives from the City's Fleets & Facilities is spearheading the relocation process

Old Business:

(1) Status of Benefit Enhancements

Information: The **estimated** current funding level of the Retirement Fund is 64.61% as of December 31, 2010.

The above amount is an estimate calculated each month by the Retirement Office staff. As provided by Ordinance 120685, changes to the Floor COLA will occur once the funding level has reached at least 100% and has been confirmed by the Board after commissioning an actuarial valuation.

(2) Items to Discuss

- Investment Policy Guidelines
 - Real Estate
 - Hedge Funds
 - Alternative Assets

Note: These items are tabled for now.

New Business:

(1) 2009 Audit Update

a. Update from Moss Adams

- Ms. Laurie Tish – for Moss Adams
 - Presented a handout to the Board
 - Noted the hiring of skill specific staff showed a good sign
 - Acknowledged accepting of audited financials and statements that are lagged (i.e., not as of December 31st or statements lagging a quarter)
 - Noted if the Board desired a forensic audit, that would require a different audit team.
 - However, did acknowledge any new investments will undergo a more robust scrutiny to ensure compliance

Mr. McDermott paused the presentation out of concern regarding a statement made by Ms. Tish whereby she expressed there are times the audit of an investment is relied primarily on the reputation of the auditing firm for the investment - Mr. McDermott questioned such reliance. Mr. McDermott further expressed his desire for more scrutiny by our auditor; the sentiments were echoed by Mr. Walter and other Board members. They both expressed that Moss Adams is relied upon to be an independent auditor and expect a thorough review of the System's financials.

b. Update from SCERS

- Mr. Mike Akiyama – for SCERS
 - SCERS is currently closing its General Ledger.

- Reviewing and defining a formal structure for the year-end close.
- Adapting procedures to provide more visibility and provide more controls.
- There are no concerns at this point.

The Board reserves the right to enter into executive session if necessary.

Executive Session:

At 10:40 a.m., the Board entered into Executive Session for 20 minutes to discuss with legal counsel a personnel matter and then certain employee contributions. An announcement to extend the session was made at 11:00 (for 30 minutes), and then 11:30 a.m (for 30 minutes).

Jean Godden left the meeting at 11:50 a.m.

The Board came out of Executive Session at 11:55am. No action(s) were taken during the Executive Session.

Adjournment:

Motion: Upon motion by Mark McDermott, seconded by Rod Rich, the Retirement Board voted to adjourn the meeting at 11:56 a.m.

Mark McDermott, Secretary